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Celebrating 10 Years

LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS

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LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

Celebrating 15 Years

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council of the City of New Orleans, Louisiana

We have audited the accompanying statements of net assets available for benefits of the City of New Orleans Employees' Retirement System Combination Defined Benefit and Defined Contribution Pension Plan as of December 31, 2000 and 1999, and the related statements of changes in net assets available for benefits for the years then ended and the statement of accumulated plan benefits as of December 31, 2000, and the related statement of changes in accumulated plan benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the City of New Orleans Employees' Retirement System's Defined Benefit/Defined Contribution Plan's net assets available for benefits as of December 31, 2000 and 1999, and changes therein for the years then ended and its financial status as of December 31, 2000 and 1999, and changes therein for the years then ended in conformity with generally accepted accounting principles.

Luther C. Speight & Co.

New Orleans, Louisiana
June 18, 2001

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Atlanta Office: 400 Colony Square, Suite 200 Atlanta, GA 30361 phone (404) 870-9045 fax (404) 870-9005

CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31, 2000	December 31, 1999
ASSETS		
INVESTMENTS AT FAIR VALUE:		
Cash Equivalents	$ 10,131,746	$ 27,967,734
U.S. Government Obligations	77,016,669	66,196,968
Corporate Securities		
Bonds	19,698,227	21,156,374
Mortgages	49,484,865	50,024,061
Equities	214,093,036	207,271,809
TOTAL INVESTMENTS (at Fair Value)	370,424,543	372,616,946
RECEIVABLES:		
Contributions	476,558	536,107
Accrued Interest & Dividends	1,905,903	1,882,791
Due from broker for securities sold	20,728	0
TOTAL RECEIVABLES	2,403,189	2,418,898
PREPAID EXPENSES and OTHER ASSETS	19,291	733,716
CASH	777,868	576,789
TOTAL ASSETS	373,624,891	376,346,349
LIABILITIES		
Due to Terminated employees	369,660	272,580
Due to Broker for Securities Purchased	244,353	320,948
Due to City of New Orleans	0	115,698
Accrued Management and Custodial Fees	537,733	370,186
Accounts Payable	196,914	86,201
TOTAL LIABILITIES	1,348,660	1,165,613
NET ASSETS AVAILABLE FOR BENEFITS	$372,276,231	$375,180,736

The accompanying notes are an integral part of these financial statements.

CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED

	December 31,	
	2000	1999
ADDITIONS TO NET ASSETS		
Investment Income:		
Interest & Dividends	$12,324,611	$11,733,598
Net Depreciation in fair value	(4,582,347)	16,377,070
Commission Recapture	84,044	74,172
Securities Lending	104,586	89,993
	7,930,894	28,274,833
Less: Investment Expenses	(2,211,097)	(1,659,998)
Net Investment Income	5,719,797	26,614,835
Contributions:		
Employer	6,710,305	6,162,035
Employees	3,237,744	3,717,531
Transfers from S&WB	55,257	10,999
Payments for Military Services	27,378	25,508
Transfers from Firefighters	4,648	0
Transfers from State System	130,698	132,455
Total contributions:	10,166,030	10,048,528
TOTAL ADDITIONS TO NET ASSETS	15,885,827	36,663,363
DEDUCTIONS FROM NET ASSETS		
Retirement Allowances	11,728,693	10,729,174
Ordinary Disability Retirements	1,408,526	1,288,621
Accidental Disability Retirement	582,175	619,436
Separation Retirements	458,438	386,700
Refunds to Members	1,262,091	1,522,543
Transfers to the State Retirement System	383,178	50,943
Transfers to the Sewerage and Water Board	126,556	166,176
Transfer to M.P.E.R.S.	0	69,488
Lump Sum Benefits Due to Death of Members	262,096	296,295
Cost of Living Benefits	1,701,048	1,633,925
Drop Withdrawal	820,957	285,715
Transfers to the Firefighters Retirement System	56,574	0
TOTAL DEDUCTIONS FROM NET ASSETS	18,790,332	17,049,016
NET INCREASE	(2,904,505)	19,614,347
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of Year	375,180,736	355,566,389
END OF YEAR	$372,276,231	$375,180,736

The accompanying notes are an integral part of these financial statements.

CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF ACCUMULATED PLAN BENEFITS
DECEMBER 31, 2000 AND 1999

	2000	1999
ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS		
Vested benefits:		
Participants currently receiving payments	146,956,451	139,774,244
Other participants	96,289,537	90,435,507
	243,245,988	230,209,751
Nonvested benefits	35,524,769	33,599,187
TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS	$278,770,757	$263,808,938

The accompanying notes are an integral part of these financial statements.

CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN ACCUMULATED PLAN BENEFITS
YEAR ENDED DECEMBER 31, 2000

ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT BEGINNING OF YEAR	$ 263,808,938
Increase (decrease) during the year attributable to:	
Plan Amendment	0
Benefits accumulated*	31,222,699
Benefits paid	(16,260,880)
ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT END OF YEAR	$ 278,770,757

* Includes interest and effects of actuarial gains and losses.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

The EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS (Retirement System) is a Combination Defined Benefit and Defined Contribution Pension plan established under the laws of the State of Louisiana. The City Charter provided that the Retirement Ordinance (Chapter 55 of the Code) continues to govern and control the Retirement System under the management of the Board of Trustees, and also for changes in the Retirement System by council action, subject to certain limitations for the purpose of providing retirement allowances, death, and disability benefits to all officers and employees of the parish, except those officers and employees who are already or may hereafter be included in the benefits of any other pension or retirement system of the city, the state or any political subdivision of the state.

The EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS became operative on July 1, 1947. It is supported by joint contributions of the City and employee members and income from investments. The City makes contributions for members during active service as well as for periods of service of members employed prior to July 1, 1947. In this way, reserves are accumulated from the city and employee contributions.

The general administration and the responsibility for the proper operation of the Retirement System and for making effective the provisions of the Retirement Ordinance are vested in the five member Board of Trustees of the Retirement System.

At December 31, 2000 and 1999, EMPLOYEES' RETIREMENT SYSTEM membership consisted of:

	December 31	
	2000	1999
Retirees and beneficiaries currently receiving benefits	1,741	1,734
Terminated employees entitled to benefits but not yet receiving them	113	104
	1,854	1,838
Current employees:		
Vested	1,591	1,566
Non-Vested	2,235	2,083
TOTAL CURRENT EMPLOYEES	3,826	3,649
TOTAL ACTIVE EMPLOYEES	5,680	5,487

The City of New Orleans requires membership in the EMPLOYEES' RETIREMENT SYSTEM for all City of New Orleans regularly employed persons.
Membership includes:

1. Employees hired on or after July 1, 1947, who become members as a condition of *employment, except for those over 65, unless they have 10 years prior service.*

2. Employees hired before July 1, 1947 became members, unless they elected not to join.

3. Officials elected or appointed for fixed terms, however, membership is optional.

4. All officers and employees of various judicial and political offices, except those covered by another system and those for whom no contributions are made by respective offices.

Under the System, employees with 30 years of service, or who attain age 60 with 10 years of service, or age 65 irrespective of length of service are entitled to a retirement allowance, consisting of the following:

5. An annuity, which is the actuarial equivalent of the employee's accumulated contribution at the time of retirement; plus

6. An annual pension, which together with the above annuity, provides a total retirement allowance equal to 2% of average compensation times first 10 years, plus 2-1½% of average compensation times next 10 years, plus 4% of average compensation times creditable service over 30 years, maximum not to exceed 100% of average compensation. For service retirement prior to age 62 with less than 30 years of service, this amount is reduced by 3% for each year below age 62. The reduction no longer exists for persons retiring after January 1, 1997 with 30 years of service. For service retirement prior to age 55 with 30 years of service, this amount is reduced by 2% (1% for members who retire prior to January 1, 1983) for each year below age 55. For service retirements at age 55 with 30 or more years of service, this amount is not reduced.

Average compensation is defined as average annual earned compensation (which includes overtime earned prior to April 29, 1979 and tenure pay) of a member for the highest thirty-six successive months of service as a member, minus $1,200.

An additional pension equal to 2% of $1,200 times the first 10 years, plus 2-1½ % of $1,200 times next 10 years, plus 3% of $1,200 times next 10 years, plus 4% of $1,200 times creditable service over 30 years, for members who retired on or after January 1, 1983, will be provided if an employee retires on service retirement allowance after attaining age 55 while still a member. This ceases when the employee becomes eligible for Social Security. For service retirement prior to age 62 with less than 30 years of service, this amount is reduced by 3% for each year below age 62 (1% for each year below age 55) for service accrued prior to January 1, 1983.

If a member dies after retirement and before receiving the amount of this accumulated contributions in annuity and pension payments, the lump sum balance of his contributions is paid to his beneficiary.

When an active employee dies, a death benefit, equal to the employee's accumulated contributions, with interest, is paid to the beneficiary designated by the employee or, in the absence of such designation, to his estate. Should the employee have completed three or more years of creditable service, there shall be paid additionally a lump sum of benefit equal to one-fourth of the earnable compensation of such deceased employee for the year immediately preceding the date of death, plus 5% of said earnable compensation for each additional year of creditable service, excluding credit for military service purchased, and shall not exceed the earnable compensation of the employee for the year immediately preceding the date of death. If the employee at the date of his death was eligible for retirement and leaves a surviving spouse, the surviving spouse is entitled to elect to receive retirement benefits equal to the amount which would have been paid, had the member retired on the date he died and had he elected option 2 of a reduced retirement allowance payable throughout life with the provisions that, upon his death, his reduced retirement allowance would be continued throughout the life of his surviving spouse as beneficiary. The surviving spouse who elects this option will not be entitled a refund of the accumulated contributions, including interest, of the deceased member nor to additional lump sum death benefit.

Any amounts which may be paid or payable under the provisions of any Workmen's Compensation Statute or similar law to a member or to a dependent or a member on account of accidental disability or accidental death shall, in such a manner as the Board shall approve, be offset against and payable in lieu of any benefits payable out of the funds provided by the City under the provisions of the Retirement system on account of the same accidental disability or on account of death.

Upon written application of a member in active service or of the head of his department, any member who has had 10 or more years of creditable service may be retired by the Board on an ordinary disability retirement allowance if an physician nominated by the Board shall certify that the member is mentally or physically totally incapacitated for the further performance of duty, that such incapacity is likely to be permanent, and that the member should be retired. Upon retirement for ordinary disability, a member will receive a service retirement allowance, if eligible, otherwise the member will receive a disability retirement allowance which will consist of:

a. An annuity which shall be the actuarial equivalent of the employee's accumulated contributions at the time of retirement; and

b. An annual pension, which together with the annuity in (a), shall be 75% of the service allowance that would have been payable upon service retirement at the age of sixty-five, had the member continued in service to the age sixty-five. Such allowance is to be computed on the average compensation, plus the sum of $1,200 provided, however, that the minimum annual retirement allowance will be $300 per year.

Upon the application of a member or the head of his department, any member whom the Board finds has been totally and permanently incapacitated for duty as the natural and proximate result of an accident sustained in service as an active member and occurring while in the actual performance of his duty at some definite time and place without willful negligence on his part may be retired by the Board; provided, that a physician nominated by the Board will certify that the member is mentally or physically totally incapacitated for the further performance of duty, that such incapacity is likely to be permanent, and that the member should be retired. Upon retirement for accidental disability, a member will receive a service retirement allowance, if eligible, otherwise he will receive an accidental disability retirement allowance which will consist of:

a. An annuity which is the actuarial equivalent of his accumulated contributions at the time of retirement; and

b. An annual pension equal to the difference between his annuity and 65% of his earnable compensation

Any employee whose withdrawal from active service occurs prior to his attainment of the age of sixty, who has completed at least 10 years of creditable service, may remain a member of the Retirement System by permitting his accumulated contributions to remain on deposit with the System.

Should the member have served at least 10 years before such separation, he will be entitled to receive a full service retirement after sixty which he may elect, subject to the reductions applicable to retirement before the age of sixty-two, which will be based upon the amount earned and accrued at the date of withdrawal from service.

Upon withdrawal without 10 years of creditable service, the employee is entitled to the return of his accumulated contributions with interest or the employee may allow contributions to remain on deposit for a maximum of five years.

Effective July 16, 1974, provisions were made for reciprocal transfers of service and funds between this System and the Employees' Retirement System of the Sewerage and Water Board of

New Orleans. In the event an employee transfers from one employer to the other, service credits are transferred from the employee's previous account plus earned interest and all employer contributions, plus agreed-upon interest, are transferred.

The Plan was amended on April 1, 1997. The Plan extended membership to the District Attorney's Office.

A detailed plan agreement has been published and made available to all plan participants. Their agreement contains all information regarding the plan's benefits, amendments, actuarial assumptions and contribution requirements.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the plan:

Basis of Accounting - The accompanying financial statements are prepared on the accrual basis of accounting. Contributions are recognized as revenue in the period in which employee services are performed.

Method Used to Value Investments - The Plans equity and debt securities are reported at fair value. Investment income is recognized as earned gains and losses on sales and exchanges of fixed income securities and recognized on the transaction date.

C. PENSION BENEFIT OBLIGATION

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date.

The measure is intended to help assess the funding status of the Employees' Retirement System on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employees' retirement systems.

The reason is independent of the actuarial funding method used to determine contributions to the Employees' Retirement System.

The pension benefit obligation was determined as part of the actuarial valuations at December 31, 2000 and 1999 based on reports dated January 1, 2001 and 2000 respectively. Significant actuarial assumptions used in the latest valuation are as follows:

- Life Expectancy of Participants - 1971 Group Annuity Mortality Table.
- Retirement Age Assumptions - Based on the results of the 1990-1995 periodic actuarial experience study.
- Investment Return - 7%
- Projected Salary Increases - Based on U.S. Department of Commerce, adjusted for projected increases in the standard of living.

D. CHANGE IN ACTUARIAL VALUATION

Beginning with the January 1, 1996 actuarial valuation, the actuarial valuations will be prepared using the "Entry Age Normal Cost Method with Frozen Initial Liability". Prior to the change in the funding method, the Plan had been funded using the "Entry Age Normal Cost Method".

Under the Entry Age Normal Cost Method with Frozen Initial Liability, the normal cost of the plan is designed to be a level percentage of payroll, calculated on an aggregate basis, spread over the entire working lifetime of the participants. The future working lifetime of the participant is determined from each participant's hypothetical entry age into the plan assuming the plan had always been in existence, to his expected retirement date.

For the first year the actuarial accrued liability is the amount of total liability not covered by future entry age normal costs and is called the frozen actuarial liability since it is not affected by actuarial experience gains or losses in future years. This amount is composed of actuarial value of benefits already funded (assets) and those not yet funded (unfunded frozen actuarial liability).

Once established, and for valuations in subsequent years until fully amortized, the unfunded frozen actuarial liability is affected by the normal cost, the valuation interest rate and plan contributions. The normal cost must then become the balancing item as the allocated annual portion of the remaining actuarial present value of retirement benefits. As a result, normal cost will fluctuate from year to year to account for actuarial experience.

The amortization period, which ends December 31, 2003 is being maintained. Beginning with January 1, 1992 actuarial valuation, the amortization amount was "frozen" and is equal to the 13 years remaining amortization amount over the period January 1, 1992 through December 31, 2003.

E. CONTRIBUTIONS REQUIRED AND CONTRIBUTION MADE

The Employees' Retirement System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of employer payroll contribution rates are determined using the "Entry Age Normal Actuarial Funding Method". The Employees' Retirement System also uses the "Percentage of Payroll Method" to amortize the unfunded liability over a thirty year period effective July 1, 1974.

Employees contribute 4% of their earnable compensation in excess of $1,200 per year. Earnable compensation is the annual compensation paid to an employee which includes overtime and/or supplementary pay earned prior to April 29, 1979. Effective April 29, 1979, it is defined as annual compensation paid to an employee plus tenure pay.

Significant actuarial assumptions used to complete contribution requirements are the same as those used to compute the standardized measure of the pension benefit obligation discussed in Note C.

F. CASH

As of December 31, 2000, the Employees' Retirement System had the following cash accounts and related FDIC insurance and/or other types of collateral to secure the plans accounts:

Institution and Account	Book Balance	Bank Balance	Amount of Depository Ins. or Collateral
Hibernia Bank			
#812512226	$ 755,298	$ 316,444	$ 316,444
Liberty Bank			
#2214369	$ 22,570	$ 672,211	$ 100,000
Total	$777,868	$988,655	$ 416,444

G. INVESTMENTS

The following table presents the fair values of investments at December 31, 2000 and 1999. Investments that represent 5% or more of the Plan's net assets are separately identified.

	2000	1999
Investments at Estimated Fair Value:		
Cash Equivalents	$ 10,131,746	$ 27,967,734
U.S. Government Obligations	77,016,669	66,196,968
Corporate Securities:		
Bonds	19,698,227	21,156,374
Mortgages	49,484,865	50,024,061
Equities	214,093,036	207,271,809
Total	$ 370,424,543	$ 372,616,946

During 2000 and 1999, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated/(depreciated) in value by $(4,582,347) and $ 16,377,070, respectively.

Appreciation/(Depreciation)

	2000	1999
Cash Equivalents	(17,835,988)	12,926,062
U.S. Government Obligations	10,819,701	9,021,458
Corporate Securities		
Bonds	(1,458,147)	(40,417,515)
Mortgages	(539,196)	30,057,609
Equities	4,431,283	4,789,456
Total	(4,582,347)	16,377,070

H. TREND INFORMATION

Trend information which gives an indication of the progress made in accumulating sufficient assets to pay benefits when due, are presented on pages 15 and 16.

I. COST-OF-LIVING BENEFITS BONUS

Retired members, for 35 consecutive years were paid a cost-of-living bonus benefit. The 2000 bonus, which totaled $1,701,048 was calculated for each individual at the rate of 3% of the current benefit for the each year of retirement, with a maximum the greater of $600 or $75 times each year of retirement. It was provided from the earnings on investments in excess of 6%. The Board plans to continue the cost-of-living bonus benefit as long as interest earnings are sufficient.

J. COSTS OF PLAN ADMINISTRATION

The City of New Orleans absorbs significant costs of the plan administration. Those costs include salaries, fixed assets, office supplies etc. for the department administering Plan operations.

TREND INFORMATION

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
HISTORICAL TREND INFORMATION
(Unaudited)

Historical trend information since 1991 is designed to provide information about the EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS' progress made toward accumulating sufficient assets to pay benefits when due is presented in the following schedule:

SCHEDULE OF FUNDING PROGRESS

Year	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)*	Percent Funded by Employer (1/2) (3)	Unfunded AAL (UAAL) (2-1) (4)	Annual Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (4/5) (6)
1991	163,689,677	168,476,350	97.15	4,786,673	66,205,279	7.23
1992	174,340,893	174,852,648	99.70	511,755	70,163,161	0.01
1993	194,704,398	180,044,150	108.14	(14,660,248)	65,578,056	(22.35)
1994	205,126,988	185,685,601	110.47	(19,441,387)	66,910,493	(29.05)
1995	221,783,014	226,348,016	97.98	4,565,002	68,492,113	6.66
1996	278,446,227	247,902,452	112.32	(30,543,775)	70,480,255	(43.34)
1997	319,142,011	274,538,774	116.00	(44,603,237)	76,090,614	(59.00)
1998	355,566,389	309,660,485	114.00	(45,905,904)	76,199,531	(60.00)
1999	375,180,736	310,855,758	120.69	(64,324,978)	75,663,274	(85.01)
2000	371,909,534	298,945,269	124.40	(72,964,265)	76,248,758	(95.69)

* Pension Benefit Obligation for 2000 includes Actuarial Adjustment of $ 20,174,512.

REVENUE BY SOURCE

Year	Employee Contributions	Actuarial Required Employer Contributions	Investment Income	Total
1992	2,904,482	9,258,071	12,006,674	24,169,227
1993	2,790,849	9,274,320	22,385,320	34,450,489
1994	2,646,225	9,238,967	13,367,184	25,252,376
1995	2,921,784	10,629,702	18,240,535	31,792,021
1996	2,761,098	9,858,968	20,421,903	33,041,969
1997	3,036,531	9,063,207	44,255,398	56,355,136
1998	3,481,930	8,739,480	39,783,953	52,005,363
1999	3,717,531	6,162,035	26,614,835	36,494,401
2000	3,237,744	6,710,305	5,719,797	15,667,846

EXPENSE BY TYPE

Year	Benefits	Refunds	Other/Transfers	Total
1992	12,803,048	714,963	0	13,518,011
1993	12,862,616	1,037,761	186,607	14,086,984
1994	12,927,298	1,665,775	297,357	14,890,430
1995	13,345,749	1,141,519	863,462	15,350,730
1996	13,773,120	787,137	1,676,330	16,236,587
1997	14,414,971	828,724	460,082	15,703,777
1998	14,468,517	1,042,980	162,565	15,674,062
1999	15,239,866	1,522,543	286,607	17,049,016
2000	16,961,933	1,262,091	566,308	18,790,332

LUTHER C. SPEIGHT & COMPANY

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and Management Consultants

Celebrating 15 Years

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Council of the City of New Orleans, Louisiana

We have audited the financial statements of the Employees' Retirement System of the City of New Orleans (the Plan) as of December 31, 2000 and 1999, and for the years then ended, and have issued our report thereon dated June 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of the Plan's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Plan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Plan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in a separate management letter dated June 18, 2001.

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Atlanta Office: 400 Colony Square, Suite 200 Atlanta, GA 30361 phone (404) 870-9045 fax (404) 870-9005

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider both of the reportable conditions described above, to be material weaknesses and they have been reported to management in a separate letter dated June 18, 2001.

This report is intended for the information of the audit committee, management, and the City of New Orleans. However, this report is a matter of public record and its distribution is not limited.

New Orleans, Louisiana
June 18, 2001

CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM

DECEMBER 31, 2000

STATUS OF PRIOR YEAR FINDINGS

	UNRESOLVED	RESOLVED
1. The retirement system does not have a comprehensive financial reporting system in place related to its accounting information		X
2. There were no interim financial statements prepared within the audit period.		X
3. The retirement system does not have adequate administrative controls related to the maintenance and retrieval of participant data.	X	
4. The retirement system does not have a comprehensive participant file maintenance system.		X
5. The Minutes of the Board Meetings were untimely transcribed.		X
6. Contribution revenue was not reconciled to the financial statements on a periodic basis.		X

Celebrating 15 Years

LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

To the City of New Orleans Council Audit Committee
and the City of New Orleans Employee's
Retirement System Management

In planning and performing our audit of the general purpose financial statements of the City of New Orleans Employee's Retirement System for the year ended December 31, 2000, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control.

However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City of New Orleans Employee's Retirement System's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.c
Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.. However, we noted the following reportable conditions that we believe to be material weaknesses.

New Orleans Office: 10001 Lake Forest Blvd., Suite 404 New Orleans, LA 70127 phone (504) 244-9400 fax (504) 255-0305
Atlanta Office: 400 Colony Square, Suite 200 Atlanta, GA 30361 phone (404) 870-9045 fax (404) 870-9005

00-1 INTERNAL CONTROL DEFICIENCY - INVESTMENT RECORDING

CONDITION:

The investments of the Plan were accounted for by an independent custodian that generally has custody of the Plan's various securities and cash. The Plan's security transactions are executed by various money managers selected by the Plan's board. Our examination of the Plan's investment activities for the year revealed several inconsistencies in the accounting methods and procedures employed by the Plan's custodian. We also noted that the procedures in effect by the Plan's accounting function were not always adequate to provide assurance that any material errors would be detected within the normal course and scope of their duties.

The exceptions noted during our examination included the following:

- **Inconsistent Reporting of Investment Activity and Balances:** The beginning balance of year-end consolidated investment statements excluded the market value and investment activity of certain money managers whose services were discontinued during the year, while including the balance and investment transactions of other discontinued money managers. This condition resulted in the prior year consolidated investment balance differing from the beginning balance by $ 39,309,774. However, the statements utilized by the Plan's accounting personnel did include all of the data that was excluded from the year-end consolidated investment statements.

- **Unrecorded Wire Transfer:** We noted that one of the money managers had both custody of the Plan's assets as well as authority to execute trades. Although the custodian and the Plan's accounting function implemented additional procedures to account for this manager's activity, their procedures were not adequate to provide assurance that material errors would be detected on a timely basis. As an example we noted an asset sale and subsequent wire transfer of proceeds to another manager totaling $30,000,000. The sale was properly recorded, however the wire transfer from this manager was not properly documented on the custodian investment statements.

- **Trade Date Errors:** Our review of the Plan's investment activity showed certain securities were acquired at a cost of $ 13,125,955. Per the investment statement, these purchases appeared to be funded with proceeds from sales that occurred thirty days prior. This condition as reflected on the investment statements could indicate that significant funds in the portfolio remained idle, or were otherwise unaccounted for. However, further examination indicated that the transaction dates reflected in the investment statements were incorrect due to custodian keypunch errors. The underlying support documentation indicated that the security sales and subsequent purchases occurred on the same date.

CRITERIA:

The custodian procedures as well as administrative procedures at the City of New Orleans Employee's Retirement System should be adequate to detect material errors in the normal course of business.

EFFECT:

Potential for material financial statement errors exists that may not have been detected in the normal course of performing investment recording.

CAUSE:

We noted that substantial accounting procedures are performed by the Plan related to accounting for and recording investments. However, due to the volume of transactions and the size of the investment portfolio, the Plan's accounting system is designed in such a manner that it relies considerably on the custodian's controls and procedures over investment recording. Due to the inconsistencies identified during our audit, these controls do not appear sufficient to reduce the risk that material errors may occur and not be detected during the normal course of performing duties relative to recording investment activities.

RECOMMENDATION:

We recommend that periodic independent reviews be performed on the investment activity and the financial statements on a quarterly basis.

00-2 INACCURATE PLAN PARTICIPANT DATA

CONDITION:

We tested the plan participant data information that was provided to the actuary and noted that the information contained errors and was incomplete in certain categories.

There were one-hundred ninety-eight (198) active employees listed without designated dates of birth and employment dates. We also noted that approximately 374 inactive participants were reported as active in the participant data file.

This data was subsequently corrected and reissued to the plan actuary.

CRITERIA:

Plan participant data should be reviewed and adjusted for accuracy and completeness.

EFFECT:

Inaccuracies in the participant data if undetected would potentially have an effect on the actuary's report and the determined actuarial liability.

CAUSE:

Plan participant data was not adequately reviewed.

RECOMMENDATION:

We recommend that plan participant data should be reviewed throughout the year and at year-end. Additionally, appropriate revisions should be identified and made timely.

This report is intended solely for the information and use of the Council Audit Committee of the City of New Orleans, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Luther C. Speight and Co.

Luther C. Speight and Company
June 18, 2001

Celebrating 15 Years

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LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

July 3, 2001

Dr. Daniel G. Kyle
Louisiana Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

This letter is in regards to the City of New Orleans Employees' Retirement System audit report dated June 18, 2001 as of and for the year ended December 31, 2000. As of the issuance date of the audit report, we have not received the Management Corrective Action Plan.

Please contact us with any questions or concerns regarding the Management Corrective Action Plan.

Sincerely,

Luther C. Speight & Co. CPA

Luther C. Speight and Company
Managing Director

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